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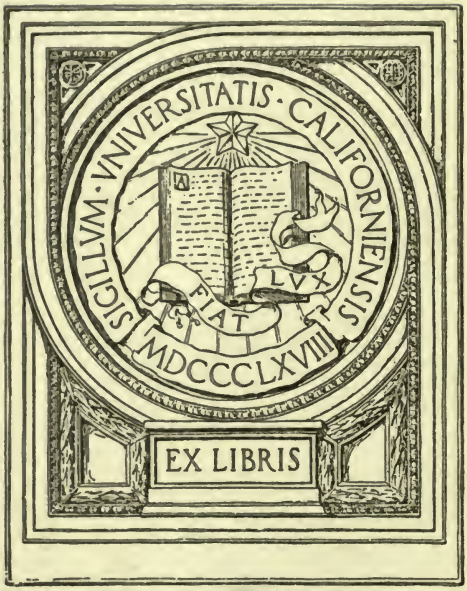

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The Wholesale Grocery Business in January, 1921

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THE WHOLESALE GROCERY BUSINESS IN JANUARY, 1921

At the request of the National Wholesale Grocers' Association the Harvard Bureau of Business Research undertook to collect figures from its coöperators regarding some indices of business conditions in the wholesale grocery trade in January, 1921, as compared with January, 1920. The blanks on which the returns were to be made were sent to 307 wholesale grocers who have been coöperating actively during the last few years in the Bureau's research work. Sixty-four reports that could be used were received up to March 2. The fact that this was an entirely new sort of investigation probably accounts for the comparatively small number of reports received and for the delay that was experienced in obtaining the statements. No plans have been considered for the continuation of this particular inquiry. The Bureau is confident, however, that if it were to be continued from month to month it would be possible to secure a substantially larger number of reports and to obtain them more promptly.

The various items called for on the blank were in accordance with the standard accounting system. Despite this, however, there were some cases of misunderstanding of items and some incomplete reports were received. For such items as inventories and occasionally purchases, only estimates were obtainable. Because of these circumstances and the small number of reports received, the conclusions are subject to broad qualifications. It is probable, nevertheless, that the results are indicative in a general way of conditions in the industry. The reports indicate that the readjustment to a new level of prices and expenses has been carried much

farther by some firms than by others. A wide variation was shown in the reports; this reflects the changing conditions and the differences in the rapidity with which these readjustments are being made.

In making these comparisons it also is to be remembered that January, 1920, was generally a period of business activity reflecting conditions practically at the peak of business prosperity, whereas January, 1921, represented the trough of depression. The two months thus represent extremes, and allowance for this must be made in judging the results of the comparisons.

The results of this investigation may be summarized briefly as follows: On the average, net sales were about 30 % less in January, 1921, than in January, 1920. The cost of doing business, however, was not reduced in anything like the same proportion. Although numerous wholesale grocers showed smaller expenses in dollars and cents in January, 1921, than in the previous year, there were approximately as many others who showed higher expenses despite the decline in sales. When the expenses were figured in percentage of net sales, nearly all the wholesale grocers showed a higher ratio of expense in January of this year than in January, 1920. In percentage of net sales, salesforce expense in January, 1921, averaged about 0.7 % higher than in 1920; total receiving and shipping expense was about 0.4 % higher; total buying and management expense about 0.8 % higher; total expense about 3 % higher in January, 1921, than in January, 1920.

The amount of merchandise purchased was smaller in every case in January, 1921, than in January, 1920. The purchases fell off more than the sales. This is indicated by two comparisons. In the first place, for four-fifths of the wholesalers the purchases fell off more than 30 % in January, 1921, as compared with January of the preceding year. Secondly, the inventory of merchandise on hand showed a decline on the reports of most of the wholesale grocers during the month of

January this year, and although the inventories generally were smaller both at the beginning and end of January, 1921, than in January, 1920, the difference between the two years was greater on January 31 than on January 1.

Accounts and notes receivable showed a decline during the month of January, 1921, on the reports of three-fourths of the wholesalers who submitted statements, whereas in January, 1920, over one-half the firms had an increase in the amount of their accounts and notes receivable. Accounts and notes payable also were lower January 31 than on January 1, 1921, in the case of four-fifths of the firms from which reports were received. This is sharply in contrast to the experience of the same firms in January, 1920, when a substantially larger number showed an increase in accounts and notes payable during the month. On January 31, 1921, the accounts and notes payable generally were lower than on January 31, 1920. This contrast was much more marked at the end of the month than at the beginning. It indicates that healthy progress is being made by these wholesale grocers in adjusting their liabilities under existing business conditions.

Although a good start apparently has been made toward meeting the new conditions occasioned by the drop in prices and the general slump in business, nevertheless, the readjustment is by no means complete. The process of readjustment, furthermore, is involving an actual loss to numerous wholesale grocers, and even those who were able to show net profits in January, 1921, had much smaller net profits than under normal conditions. The figures that are given here also probably represent the best conditions in the trade, since they are from firms that are sufficiently progressive to take an interest in furnishing this sort of information for a trade summary.

Net Sales

For all but three firms, net sales showed a decrease in January, 1921. In the following table the firms are classified according to the percentage of decrease in net sales that they showed in January, 1921, as compared with the previous year.

Net sales:

	Number of Firms
Larger, January, 1921, than January, 1920	3
Smaller, January, 1921, than January, 1920	
Difference, less than 10 %	1
10–19.9 %	7
20–29.9	16
30–39.9	17
40–49.9	17
50 % and over	3
Total number showing smaller net sales	61

Total Salesforce Expense

This item includes salaries and wages of salesforce, commissions to salesforce, and travelling expense incurred by salesforce.. The common figure for the month of January, 1920, was about 2 % of net sales, for January, 1921, 2.7 %, an increase of 0.7 % of net sales.

Total Receiving and Shipping Expense

The common figure for this item for the month of January, 1920, was 1.5 % of net sales, for the month of January, 1921, 1.9 %, an increase of 0.4 % of net sales.

Total Buying and Management Expense

In January, 1920, the common figure for total buying and management expense was 1.4 % of net sales, in January, 1921, 2.2 %, an increase of 0.8 % of net sales.

Total Expense

Owing to the fact that many of the firms did not include prorated charges for such items as rent, interest, and taxes in their total expense figures, exact comparisons cannot safely be given for total expense. So far as can be judged, total expense in January, 1920, averaged about 8% of net sales and in January, 1921, about 11%. The exact margin of difference, however, cannot be determined from the reports received and for several firms it was much larger than the average.

Purchases

The following table shows the falling off in purchases during January of this year. It is to be noted that in not a single case were purchases larger in 1921 than in 1920.

Net cost of purchases of merchandise:

	Number of Firms	
Larger, January, 1921, than January, 1920		0
Smaller, January, 1921, than January, 1920		
Difference, less than 10%	3	
10–19.9%	8	
20–29.9	2	
30–39.9	17	
40–49.9	12	
50% and over	16	
Total number showing smaller purchases		58

Inventories

Several comparisons of inventory figures have been made. The first of these shows how the stock of merchandise on hand January 1, 1921, compared with the stock on hand January 1, 1920.

Net inventory of merchandise at beginning of month:

	Number of Firms
Larger, January 1, 1921, than January 1, 1920	12
Smaller, January 1, 1921, than January 1, 1920	
Difference, less than 10%	8
10–19.9%	8
20–29.9	14
30–39.9	4
40% and over	3
Total number showing smaller net inventory at beginning of month	37

The second comparison, as indicated in the following table, gives similar figures for January 31. It is to be noted that more firms showed a smaller net inventory at the end of the month in 1921 than in 1920.

Net inventory of merchandise at end of month:

	Number of Firms
Larger, January 31, 1921, than January 31, 1920	7
Smaller, January 31, 1921, than January 31, 1920	
Difference, less than 10%	12
10–19.9%	8
20–29.9	13
30–39.9	5
40% and over	4
Total number showing smaller net inventory at end of month	42

The third comparison of inventory figures indicates the increase or decrease in inventories during the month.

Net inventory of merchandise at beginning and end of January, 1921:

	Number of Firms
Increase, January 1–31, 1921	6
Decrease, January 1–31, 1921	
Less than 10%	29
10–19.9%	10
20% and over	4
Total number showing decrease during month	43

Net inventory of merchandise at beginning and end of January, 1920:

	Number of Firms	
Increase, January 1–31, 1920		15
Decrease, January 1–31, 1920		
Less than 10 %	22	
10–19.9 %	11	
20 % and over	1	
Total number showing decrease during month		34

Accounts and Notes Receivable

The reports on financial figures probably are among the most reliable that were obtained. The first comparison aims to show how the amount of accounts and notes receivable January 1, 1921, compared with January 1, 1920. Fifteen firms showed larger accounts and notes receivable on January 1, 1921, than on January 1, 1920. In the following table the firms have been classified according to the amount of increase or decrease that they showed in accounts and notes receivable as between these two dates.

Accounts and notes receivable at beginning of month:

	Number of Firms	
Larger, January 1, 1921, than January 1, 1920		15
Smaller, January 1, 1921, than January 1, 1920		
Difference, less than 10 %	14	
10–19.9 %	15	
20–29.9	9	
30–39.9	5	
40 % and over	4	
Total number showing smaller accounts and notes receivable at beginning of month		47

A similar comparison was made for accounts and notes receivable at the end of the month, and it is notable that only seven firms showed greater accounts and notes receivable January 31, 1921, than January 31, 1920.

Accounts and notes receivable at end of month:

	Number of Firms
Larger, January 31, 1921, than January 31, 1920	7
Smaller, January 31, 1921, than January 31, 1920	
Difference, less than 10%	10
10–19.9%	14
20–29.9	16
30–39.9	10
40% and over	5
Total number showing smaller accounts and notes receivable at end of month	55

The following tables indicate the changes that took place in accounts and notes receivable during the month of January in each year. In January, 1921, the accounts and notes receivable increased in the case of fifteen firms, whereas forty-seven firms showed a decrease during the month. In January, 1920, in contrast, thirty-five firms showed an increase in accounts and notes receivable during the month, whereas only twenty-seven showed a decrease.

Accounts and notes receivable at beginning and end of January, 1921:

	Number of Firms
Increase, January 1–31, 1921	15
Decrease, January 1–31, 1921	
Less than 10%	30
10–19.9%	12
20% and over	5
Total number showing decrease during month	47

Accounts and notes receivable at beginning and end of January, 1920:

	Number of Firms
Increase, January 1–31, 1920	35
Decrease, January 1–31, 1920	
Less than 10%	11
10–19.9%	12
20% and over	4
Total number showing decrease during month	27

Accounts and Notes Payable

Similar comparisons were made for accounts and notes payable. The results were much the same as the comparisons of accounts and notes receivable. On January 1, 1921, twenty firms showed a larger amount of accounts and notes payable than they showed on January 1, 1920; thirty-eight firms showed smaller liabilities for accounts and notes payable on January 1, 1921, than on the same date for the previous year.

Accounts and notes payable at beginning of month:

	Number of Firms
Larger, January 1, 1921, than January 1, 1920	20
Smaller, January 1, 1921, than January 1, 1920	
Difference, less than 10%	7
10–19.9%	7
20–29.9	5
30–39.9	3
40–49.9	5
50% and over	11
Total number showing smaller accounts and notes payable at beginning of month	38

On January 31, 1921, only twelve firms showed heavier liabilities for accounts and notes payable than on January 31, 1920. The changes are indicated in the following table.

Accounts and notes payable at end of month:

	Number of Firms
Larger, January 31, 1921, than January 31, 1920	12
Smaller, January 31, 1921, than January 31, 1920	
Difference, less than 10%	5
10–19.9%	7
20–29.9	7
30–39.9	6
40–49.9	9
50% and over	12
Total number showing smaller accounts and notes payable at end of month	46

The comparisons of the increases and decreases during the two months are shown in the following tables. Eleven firms increased their accounts and notes payable during January, 1921, whereas twenty-seven firms increased these liabilities during the month of January, 1920. Forty-five firms showed a decrease in accounts and notes payable during the month of January, 1921, whereas only twenty-seven showed a decrease in these items in January, 1920.

Accounts and notes payable at beginning and end of January, 1921:

	Number of Firms	
Increase, January 1–31, 1921		11
No difference, January 1–31, 1921		2
Decrease, January 1–31, 1921		
Less than 10%	17	
10–19.9%	11	
20–29.9	10	
30% and over	7	
Total number showing decrease during month		45

Accounts and notes payable at beginning and end of January, 1920:

	Number of Firms	
Increase, January 1–31, 1920		27
No difference, January 1–31, 1920		4
Decrease, January 1–31, 1920		
Less than 10%	10	
10–19.9%	6	
20–29.9	6	
30% and over	5	
Total number showing decrease during month		27

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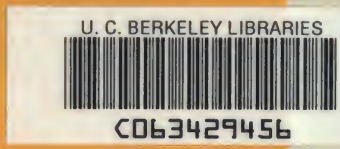

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